

ITEM NUMBER: 18.3

CONFIDENTIAL REPORT

REMUNERATION TRIBUNAL SUBMISSION

Pursuant to Section 83(5) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:

- a. **Information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).**

Recommendation – Exclusion of the Public – Section 90(3)(a) Order

1. That pursuant to Section 90(2) of the *Local Government Act 1999* Council hereby orders that the public be excluded from attendance at this meeting with the exception of the General Manager Assets and Delivery and Staff minute taker in attendance at the meeting in order to consider Report No: 97/24 – Remuneration Tribunal Submission in confidence.
 2. That in accordance with Section 90(3) of the *Local Government Act 1999* Council is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 97/24 – Remuneration Tribunal Submission on the following grounds:
 - a. pursuant to section 90(3)(a) of the Act, the information to be received, discussed or considered in relation to Report No: 97/24 – Remuneration Tribunal Submission is information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead), being the details of the Chief Executive Officer's remuneration is discussed.
 3. The Council is satisfied, the principle that the meeting be conducted in a place open to the public, has been outweighed by the need to keep the information or discussion confidential.
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Item No: 18.3

Subject: REMUNERATION TRIBUNAL SUBMISSION

Summary

In January 2024, the Remuneration Tribunal SA released a consultation paper seeking input and suggestions from the Local Government sector for the next review on the model for determining the minimum and maximum remuneration for Local Government Chief Executives.

The report discusses the possible models for consideration and provides a draft submission to the Remuneration Tribunal for consideration by Council.

Recommendation

That Council:

1. notes the information provided in the report.
2. endorses the proposed submission.

RETAIN IN CONFIDENCE - Section 91(7) Order

3. That having considered Agenda Item 18.3, 97/24 – Remuneration Tribunal Submission in confidence under section 90(2) and (3)(a) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of that Act orders that the report be retained in confidence for a period of 24 months and that this order be reviewed every 12 months.
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Background

The Local Government reforms that commenced on 20 September 2021 included the ability of the Remuneration Tribunal to determine the minimum and maximum remuneration for council Chief Executive Officers.

The Tribunal made its inaugural CEO remuneration determination in 2023, with effective from 1 July 2023.

The determination grouped CEOs into eight bands with a minimum and maximum remuneration amount. The eight bands were based on the current adjusted total remunerational packages of CEOs.

If a CEO's remuneration is below or within the relevant band, the actual amount payable to a CEO is at the discretion of Council, so long as it falls within the applicable band. However, if an

existing CEO is above the band, the expectation is that remuneration increases would cease until such time as they come back within the range of the band.

In the case where a new CEO contract is struck, or a new CEO appointment is to be made, the Council must appoint within the relevant range. Also, the inaugural determination outlines what makes up the total remuneration package, which includes salary, superannuation, vehicle value, FBT and excludes other factors such as computer, phone, learning and development.

Under the current model, the City of Holdfast Bay sits within Band 4 with a remuneration minimum and maximum of \$319,280 to \$351,520. The CEO's current total package is \$338,538.37.

Following the last CEO Performance Review, Council approved for a letter to be sent to the Remuneration Tribunal outlining its concerns with the current model.

Refer Attachment 1

The Executive Committee reviewed the proposed submission at its meeting on 2 April 2024 and recommends it to Council.

Report

In January 2024, the Remuneration Tribunal released a consultation paper seeking input and suggestions by the Local Government sector for the next review on the model for determining the minimum and maximum remuneration for Local Government Chief Executives.

Refer Attachment 2

The consultation paper notes the Tribunal has some reservations about the basis of the current banding and they do "not consider this approach to be a long-term sustainable position". The consultation paper therefore outlines a move towards a remuneration structure that considers a number of criteria, including:

- CEO position descriptions and responsibilities
- Skills and experience required
- Complexity of CEO roles
- Population size, density and characteristics of a Council district
- Geography size and characteristics
- Consideration of tenure and contract duration
- Performance criteria

The Tribunal consultation paper provides two options for consideration, which are:

- *Progressively review remuneration arrangements at the request of individual councils*
This option proposed individual councils make application to the Tribunal requesting an increase in the minimum and maximum levels applicable with sufficient detail to alter a determination.
- *Engage a professional external remuneration specialist*
This option provides that the Tribunal engage an external remuneration specialist to undertake a detailed evaluation of the remuneration framework. This option suggests a cost in the order of \$300-350k. These costs will be borne by all councils on a proportional basis.

The Tribunal is also open to other suggestions.

An alternative model that is receiving broad support within the local government sectors is a base banding on the methodology which has been used in Western Australia for many years and aligns the CEO bands to the same bands as used for Councillors and Mayors in South Australia, also set by the Tribunal.

Information on the Western Australian Remuneration Tribunal latest determination can be found here:

<https://www.wa.gov.au/government/publications/local-government-chief-executive-officers-and-elected-members-determination-no-1-of-2023>

Under the Remuneration Tribunal SA Allowances for Members of Local Government Councils determinations, councils are grouped into 6 bands. The City of Holdfast Bay sits within Band 1B in this determination.

In establishing these bands, the Tribunal already considers various similar factors such as the size, population and revenue of the Council, and the demographic, social and environmental factors of that Council when determining Members allowances and therefore there is some merit in aligning the determination of Members allowances with how CEO remuneration is determined. The Tribunal has reliably used these bandings for several years now and is widely accepted by the sector.

However, it has recently been at forefront of Council's consideration when determining the remuneration of the CEO the unique factors within the role within the City of Holdfast Bay, namely the responsibility of Alwyndor and the significant role the council plays in the state's tourism, that impacts on the work value of the role. These factors could have an impact on the remuneration of the CEO that may result in it sitting outside of the bands established by the Tribunal. It is therefore prudent to recommend to the Tribunal that any model allows for councils to seek exemptions from the Tribunal to provide remuneration outside of established bands where evidence can be provided to support the exemption.

It is recognised there are many ways in which the remuneration of CEOs could be determined. In considering these models, it is important to return to the reason for establishing a model. As quoted from the Second Reading Speech, the intent of the legislation in charging the Tribunal with the task of setting remuneration levels for local government Chief Executive Officers was "to provide assurances to communities that CEOs are paid appropriately for the work that they do." In addition, the Tribunal is seeking to establish a common framework that can be applied by councils when determining the remuneration of their CEOs.

A model that aligns to the WA framework and utilises the existing bands established for the allowances of Members would provide a common standard for councils to apply. Allowing councils to seek exemption, where unique factors exist, gives councils the ability to pay their CEO's appropriately for the work that they do. Taking this proposal into consideration, a submission has been prepared for consideration by the Executive Committee.

Refer Attachment 3

Budget

Not applicable

Life Cycle Costs

Not applicable

Strategic Plan

Statutory compliance

Council Policy

Not applicable

Statutory Provisions

Not applicable

Written By: General Manager, Assets and Delivery
General Manager: Assets and Delivery, Ms P Jackson

Attachment 1



holdfast.sa.gov.au

Brighton Civic Centre 24 Jetty Road, Brighton SA 5048

PO Box 19 Brighton SA 5048

P 08 8229 9999 F 08 8298 4561

Glenelg Customer Service Centre and Library

2 Colley Terrace, Glenelg SA 5045

13 September 2023

Mr Matthew O'Callaghan
President
Remuneration Tribunal
GPO Box 1045
Adelaide SA 5001

Dear Mr O'Callaghan

2023 Inaugural Review of Minimum and Maximum Remuneration for Local Government Chief Executive Officers

Thank you for providing the Report and Determination issued by the Remuneration Tribunal today concerning the minimum and maximum remuneration for local government Chief Executive Officers.

The challenges in arriving at a determination are duly recorded in the Report and it is acknowledged that the current lack of standardisation across the sector created a fraught landscape for the Tribunal to navigate.

The Tribunal's desire to create common standards for what constitutes a total remuneration package and how to account for its components is supported. It is also acknowledged that some councils, typically those that are rural or remote, have recruitment challenges that need to be offset by attractants such as specific allowances, subsidised housing, and similar. This is considered fair and reasonable, and such attractants should be able to be offered over and above the wage inherently associated with the job value.

In principle, it is considered reasonable that local government remuneration rules broadly follow rules for executive remuneration in State and Commonwealth governments, which provides a larger comparison pool. These well-established schemes show how a diverse range of roles can still be effectively assessed against standardised criteria.

As quoted from the Second Reading Speech in the Report, the intent of the legislation in charging the Tribunal with the task of setting remuneration levels for local government Chief Executive Officers was to "to provide assurances to communities that CEOs are paid appropriately for the work that they do."

It is therefore curious that future remuneration levels have been determined on existing arrangements, rather than an evidence-based assessment of job values. The approach taken assumes that councils have currently assessed job values consistently and correctly, which is unlikely to hold true under scrutiny.

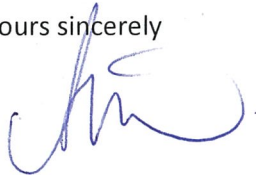


The City of Holdfast Bay has unique factors that should be considered when assessing the salary of the Chief Executive Officer. The Council owns an Aged Care facility, which the Chief Executive Officer has responsibility for. This facility has seen significant growth in the last few years, with a 26% increase in total revenue exceeding \$30 million, and a 22% increase in FTE numbers. It is expected this growth will continue. In addition, the City of Holdfast Bay is the State's premier seaside destination. In 2022/23, there were 1.1 million visitors to the council area, resulting in \$172 million of visitor expenditure into the State's economy. The leadership of the Chief Executive Officer is critical to ensuring this continual growth in tourism.

To assure that the intent of the legislation can be met, it is suggested that remuneration banding be underpinned by assessed work value. A mechanism such as the Mercer CED job evaluation system can be used to assess the relative work value of Chief Executive Officer roles across the sector. These assessments can then be benchmarked against roles of similar value in the market and appropriate bands can be determined.

Such an approach would provide the benefit of evidence-based assurance for communities that their Chief Executive Officer is being remunerated fairly for the role they fulfil. It would also enable councils to clearly know what they can expect and provide a fair indication of the costs of meeting their expectations. Overall, it would provide a more objective and fairer system within local government, as well as enabling clearer career pathways within the sector.

Yours sincerely



Amanda Wilson
MAYOR

Attachment 2

From: "OCPSE:Remuneration Tribunal" <RemunerationTribunal@sa.gov.au>
Sent: Wed, 31 Jan 2024 10:28:07 +1030
To: "Undisclosed recipients:"
Subject: Consultation Paper - Local Government CEOs
Attachments: Consultation Paper - Local Government CEOs.pdf

Caution: This Email originated from outside of the organisation. Do not click links or open attachments unless you recognise the sender or know the content is safe.

OFFICIAL: Sensitive

Good morning

Please see attached Consultation Paper from the Remuneration Tribunal.

Could you please ensure that the Mayor and CEO receive a copy, noting that submissions are due **15 April 2024**.

Kind regards

Cristalle Vandenberg

Senior Advisor Remuneration Tribunal

Remuneration Tribunal of South Australia | www.remtribunal.sa.gov.au

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Adelaide SA 5001 | DX336

| Mon | Tues | Wed | Thurs | Fri |
|-----|------|-----|-------|-----|
| ✓ | ✓ | ✓ | n/a | n/a |



Remuneration Tribunal of South Australia

CONSULTATION PAPER

Minimum and Maximum Remuneration for Local Government Chief Executive Officers

January 2024

About this consultation paper

On 16 June 2023, the Remuneration Tribunal of South Australia (**Tribunal**) issued [Determination 4 of 2023 \(Current Determination\)](#) and accompanying [Report 4 of 2023](#). The Current Determination covers 67 Councils who are grouped into eight bands. Each band contains a minimum and maximum remuneration amount that may be paid to a Council's Chief Executive Officer (**CEO**). The amount payable to a CEO is at the discretion of each Council, so long as it falls within the applicable band.

The eight bands are based on the current adjusted total remuneration packages of CEOs. The Tribunal does not consider this approach to be a long-term sustainable position and is therefore considering various options to improve the evaluation method of minimum and maximum remuneration amounts for CEOs ahead of the next review, scheduled for July 2024.

The Tribunal has some reservation about the extent of participation in the process. As the Tribunal has noted, it incorporates the substantial and unexplained diversity of remuneration arrangements between Councils which have at least some inherently similar characteristics. These are characteristics of current arrangements. Councils apply significantly different approaches to calculating and reporting on current remuneration arrangements. Those current arrangements create the potential for flow-on effects to senior staff reporting to CEOs and hence may exacerbate instability within the Local Government sector. The Tribunal is acutely aware that the effect of the current determination is to limit movements in current remuneration and that current remuneration levels require further review. That further review will require the provision of substantially more information from Local Government than that which has been provided to date.

The purpose of this consultation paper is to outline the likely approach to be adopted by the Tribunal over the coming months and offer the Local Government sector an opportunity to engage with the Tribunal to provide input and suggestions for the next review. The Tribunal emphasises that this review will be progressed in 2024. Comments and suggestions are invited but a protracted period for debate over how the review should be undertaken is not proposed.

The Tribunal is seeking to move toward a remuneration structure for Council CEOs which considers the following criteria:

- CEO position descriptions and responsibilities
- The skills and experience required
- The complexity of CEO roles
- The population size, density, and characteristics of a Council district
- The geographic size and characteristics of a Council district

- Industry issues specific to a Council district
- Social or cultural issues specific to a Council district
- Isolation and distance factors
- Accommodation issues
- Consideration of tenure and contract duration
- Specifically nominated performance criteria
- Consideration of objectively established remuneration for comparable positions
- Recognition of attraction and retention approaches.

In considering these issues the Tribunal will have regard to current remuneration arrangements but does not consider these to be determinative of future remuneration minima and maxima.

The Tribunal recognises two important considerations for Local Government relative to this review. Firstly, it is desirable that both CEOs and elected members have the capacity to have input into this review. The Tribunal recognises that this represents a complication in that arrangements and opportunities for elected members comment will need to be arranged. Secondly, the *Local Government Act 1999* (SA) provides that, following consultation with the Local Government Association, the costs of the proposed review are to be met by Councils. The Tribunal is committed to minimising these costs, provided the integrity of the review is not compromised.

This consultation paper canvasses options for consideration and comment. The Tribunal recognises there are various ways to analyse the minimum and maximum remuneration amounts to be set for Local Government CEOs and that there may be other options not covered in this consultation paper. Submissions are welcomed, however, please take into account the Tribunal's jurisdiction which is primarily contained in section 99A of the [Local Government Act 1999 \(SA\)](#).

Information required

It appears to the Tribunal that, irrespective of the approach to be taken in the future, Councils will ultimately need to provide the Tribunal with detailed position descriptions for CEOs. Further, that it is also appropriate that Councils provide a description of how current CEO remuneration arrangements have been developed and reviewed. **Consequently, the Tribunal requests that, irrespective of any submissions about the options outlined below, this information be provided to the Tribunal by no later than 15 April 2024.**

How to make a submission

Written submissions, position descriptions and/or procedures or practices in relation to the current remuneration arrangements can be sent via email to RemunerationTribunal@sa.gov.au by no later than **15 April 2024**.

Disclaimer

The views expressed in this discussion paper are of a preliminary nature only. The Tribunal's views may change as a result of the submissions it receives or as other circumstances change.

OPTION 1

PROGRESSIVELY REVIEW REMUNERATION ARRANGEMENTS AT THE REQUEST OF INDIVIDUAL COUNCILS

This option would allow individual Councils to make an application requesting an increase or decrease to the minimum and maximum remuneration levels applicable to its CEO. Over time, the Tribunal expects that this will result in a minimum and maximum remuneration structure that reflects objective consideration of the relevant criteria.

The Tribunal would require each application to address in sufficient detail the reasons why a Council submits an increase or decrease is warranted. Those details would need to extend beyond a simple comparison with one or more other Councils, to address the criteria already identified.

Given there are 67 Councils covered by the Current Determination, this option could be time consuming, costly for the Local Government sector who bear the reasonable costs of the Tribunal and could result in up to 67 bands applying.

More significantly, consideration of individual Councils is likely to expose the significant differences between remuneration arrangements as inconsistencies that require broader review.

The Tribunal expects to evaluate individual submissions by considering each of the criteria referenced above.

The outcome of such an individual review may differ substantially from current arrangements.

This option also raises potential costing issues. These go to whether the Local Government Association will determine whether individual reviews will be funded by Councils concerned or whether these costs should be shared amongst other Councils. If individual reviews highlight inconsistencies that require consideration, then the Local Government Association will need to consider how that is funded.

The Tribunal would need to receive strong support from a majority of Councils to consider this option and therefore those making submissions are encouraged to indicate their level of support and preparedness to be bound by this option. Those who do not believe this is a viable option should also indicate that in any submission.

OPTION 2

ENGAGE A PROFESSIONAL EXTERNAL REMUNERATION SPECIALIST

The Tribunal is considering engaging an external remuneration specialist to undertake a detailed evaluation of the remuneration framework. The Tribunal notes that external expertise assisted in the development of the West Australian approach to developing remuneration minimums and maximums.

This process would provide an opportunity for consideration of all of the relevant criteria as they relate to each Council. It would also enable elected members from each Council to have input into a consistently applied approach.

If the external consultant reviews each Council individually, the indicative cost of such an approach is likely to be between \$300,000 - \$350,000. The Tribunal is aware that, consistent with the other options below, there may be scope to substantially reduce this cost, and will endeavour to incorporate cost reduction capacity into any arrangement reached with the selected remuneration consultant – noting that a competitive tender process will take place. The Tribunal proposes to begin conferring with the Minister about these cost estimates shortly.

The Tribunal has looked at what this approach would involve. On the information available to it, it appears the process could take up to 22 weeks, would involve cooperation from CEOs and Mayors who would need to work with the external consultant. Such a review may involve consideration of other Local Government staff functions and benchmarking with an appropriate comparator market.

OTHER OPTIONS

There are other options that might be suggested by the Local Government sector.

Without limiting these in any way, they include the potential for Councils who use established remuneration setting methodologies, to propose a broader application of these approaches to include the CEO.

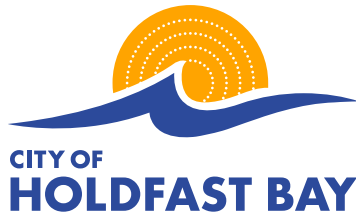
In terms of the second option (engaging and external remuneration specialist) Councils which believe they have similar relevant characteristics and CEO remuneration arrangements, may wish to propose that they be collectively reviewed.

If Councils are prepared to provide all available information covering the criteria identified in this paper, the Tribunal is open to engaging with elected members and/or CEOs to consider how remuneration has been set, how Councils can be compared and the appropriate criteria for remuneration levels. Because of the number of Councils and CEOs involved, it would seem appropriate that a smaller group or groups be established with the capacity to convey information about the criteria used to establish remuneration. An important consideration in this respect will be the extent to which such an approach has unanimous support and can be expeditiously undertaken. The Tribunal estimates that such an approach would involve substantially reduced costs.

The Tribunal acknowledges that, if the Local Government sector can provide adequate information addressing each of the criteria identified in this paper, it may be possible for the Tribunal to undertake the remuneration assessment with limited additional resources and costs. However, the Tribunal's experience to date indicates this could not be achieved in a timely manner that takes into account the positions of both CEOs and elected members.

The Tribunal is open to considering other approaches that might be proposed by Councils but stresses that a consistent approach across the sector will be required.

Attachment 3



10 April 2024

Mr Matthew O'Callaghan
President
Remuneration Tribunal
GPO Box 1045
ADELAIDE SA 5001

Via email: RemunerationTribunal@sa.gov.au

Dear Mr O'Callaghan

Consultation on Minimum and Maximum Remuneration for Local Government Chief Executive Officers

Thank you for the opportunity for councils to provide input on the minimum and maximum remuneration for local government Chief Executive Officers through the Consultation Paper released by the Remuneration Tribunal in January 2024.

As I highlighted in my letter to you dated 13 September 2023, Council appreciates the intent of charging the Tribunal with the task of setting remuneration levels for local government Chief Executive Officers in order "to provide assurances to communities that CEOs are paid appropriately for the work they do." Council also understands the Tribunal's desire to create common standards for what constitutes a total remuneration package and how to account for its components. It is therefore Council's view that any model established by the Tribunal must be able to balance these two, sometimes conflicting, outcomes.

It is Council's understanding there is broad support within the local government sector within South Australia for a model aligned with that introduced in Western Australia, whereby councils are allocated within bands and minimum and maximum remuneration levels are determined for each band. It is also Council's understanding there is broad support within the sector to use the existing bands established by the Remuneration Tribunal for allowances for members of local government councils. There is merit to this proposal, given that the Tribunal has established the bands for members, taking into consideration several factors in determining the structure of the bands and have largely been accepted by the sector as an arrangement for setting allowances.

In addition, it is Council's view the model should include the ability for individual councils to make a submission to the Tribunal regarding other relevant factors that have a bearing on the work value of its Chief Executive Officer. Council recognises submissions seeking an exemption outside of the established bands, of either an increase or decrease depending on the council's circumstances, should be evidence based. The Tribunal may consider the use of a standard evaluation system, that could be used to assess the relative work value of Chief Executive Officer roles across the sector by exception.

The City of Holdfast Bay has unique factors that Council must consider when assessing the salary of its Chief Executive Officer. The Council owns an aged care facility, which the Chief Executive Officer has responsibility for. This facility has seen significant growth in the last few years, with a 26% increase in total revenue exceeding \$30 million. This has resulted in a consolidated revenue position of the Council of more than \$90 million. In addition, there are significant regulatory obligations in operating an aged care facility. These obligations are unique to other councils within the State.

Council is supportive of a framework, aligned with the Western Australia model, utilising the framework established for the allowances for members, with the provision of allowing for councils to make individual submissions to the Tribunal where unique factors exist. Council believes this framework would provide a balance between creating a common standard, whilst being able to recognise the unique factors that may have a bearing on individual Chief Executive Officer roles that sit outside of the standard.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A. Wilson', with a large, stylized initial 'A'.

Amanda Wilson
Mayor